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SUBJECT: GERALDO ALCKMIN: TWO ADVISORS TALK ABOUT HOW HE BEAT SERRA,
HOW HE WILL CAMPAIGN AGAINST LULA

REF: (A) SAO PAULO 278; (B) SAO PAULO 206; (C) SAO PAULO 73

SENSITIVE BUT UNCLASSIFIED - PLEASE PROTECT ACCORDINGLY.

SUMMARY

¶1. (SBU) The March 14 announcement by the leadership of the opposition Brazilian Social Democracy Party (PSDB) of the nomination of Sao Paulo Governor Geraldo Alckmin for President (ref A) represented the culmination of a two-month blitzkrieg by Alckmin's forces that apparently took party chieftains and supporters of Sao Paulo Mayor Jose Serra by surprise. Everyone, it seems, knew Alckmin was an able politician and administrator, but few imagined he had the tenacity to prevail in the face of tepid poll numbers, a better-known opponent, and the perceived opposition of the party leadership's, especially former president Fernando Henrique Cardoso (FHC). Post spoke with two of Alckmin's intimates about how Alckmin won the battle for the nomination and what his strategy is for defeating President Lula da Silva in the October election. People who know him emphasize that Alckmin is a highly disciplined and focused individual who values competence, pragmatism, and efficiency. Beneath the bland exterior there is fiery determination. If Serra and his supporters underestimated him, Lula and his Workers' Party (PT) are not likely to make the same mistake.
End Summary.

THE CAMPAIGN MANAGER

¶2. (SBU) CG and Poloffs met March 20 with Joao Carlos de Souza Meirelles, Sao Paulo State Secretary for Science, Technology, and Economic Development. Meirelles, who served 1998-2002 as state

Secretary of Agriculture under both the late Governor Mario Covas

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and his successor Alckmin, managed Alckmin's 2002 re-election campaign for Governor and is now planning to leave his job to devote his full attention to the presidential campaign. He noted that until March 31, the day of his resignation, Alckmin will remain focused on state government, getting projects and initiatives ready to turn over to his successor, Lieutenant Governor Claudio Governor of the Liberal Front Party (PFL). On Sunday, Alckmin inaugurated another phase of the sanitation/flood control project for the Tiete River, which runs through the city of Sao Paulo and is prone to flooding during heavy rains; on Monday, he cut the ribbon at the restoration of the historic Luz train station and opening of the Museum of the Portuguese Language in downtown Sao Paulo. On March 31 he plans to inaugurate work on a new subway line on Avenida Paulista in the business district.

ALLIANCES

13. (SBU) April and May, Meirelles continued, will be devoted to developing terms of reference for large national themes. Each theme will have a working group. Advisors will also identify the specific problems of each state as well as regional problems. Then there is much work to be done on alliances. The priority is to talk to Rio de Janeiro Mayor Cesar Maia, who has declared himself a pre-candidate for President for the PFL, but who Meirelles thinks is not really interested in running. According to press reports, Alckmin hopes to persuade him to run instead for Governor of Rio de Janeiro state. The PFL was allied electorally with the PSDB in FHC's successful runs in 1994 and 1998, and the two parties are allied in a number of states, including Sao Paulo. Meirelles said

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the PSDB and PFL need to find a common denominator that will enable them not only to campaign together successfully, but to govern together; in his view, a great weakness of the Lula government has been its inability to hold its electoral coalition together to pass legislation. Another possible ally is the Popular Socialist Party (PPS); its president, Roberto Freire, is planning to run for President, but not with any hope of winning, only to help some of the party's candidates for Federal Deputy.

THE NORTHEAST

14. (SBU) CG asked how Alckmin would do against Lula in the all-important northeastern region. Meirelles rejoined that Lula was strong in the northeast - though the PT was not - because he was born there and because he gave people money (i.e., government handouts), but he didn't create jobs. There are people in their seventh year of receiving payments from the "Bolsa Familia" program, which was created by FHC but expanded by Lula. Bolsa Familia should be a "port of entry" for the poor to a better life, not a dead-end welfare program. The region needs massive investment in infrastructure and human capital, and financial investment as well, which Lula has not provided. Although Alckmin is not well known in the northeast, Meirelles said, the PSDB has a presence there. Its president, Senator Tasso Jereissati, is from Ceara, and the state's Governor, Lucio Alcantara, is PSDB. The party also has a number of federal and state deputies in that state. In Paraiba, there is Governor Cassio Cunha Lima, a strong "alckmista." The PSDB is weak in Pernambuco, Meirelles acknowledged, but it has an alliance with Governor Jarbas Vasconcelos of the Brazilian Democratic Movement Party (PMDB).

15. (SBU) Asked about the PMDB's likely impact on the campaign, Meirelles opined that if Rio de Janeiro former Governor Anthony Garotinho runs, he will take votes away from Lula because of his populist positions. If not, and if Lula does not choose a running mate from the PMDB, the party will ally with the PSDB in some states, though probably not in Sao Paulo. (NOTE: The PMDB allied with the PSDB in the 2002 presidential election but eventually

joined President Lula's governing coalition. The party remains deeply divided between pro- and anti-Lula factions, and will not decide until its convention in June whether or not to run a candidate for President. Garotinho just won the party's "informal" primary. In Sao Paulo state, there has been some speculation that PMDB former Governor Orestes Quercia may prefer to run for a Senate seat rather than for Governor, and that the PSDB may support him in return for PMDB support in other races, but this possibility remains hypothetical at this stage. END NOTE.)

FOREIGN POLICY AND TRADE

16. (SBU) CG asked about Alckmin's policy with respect to bilateral relations with the United States and his approach to FTAA and Mercosul. Meirelles said an Alckmin administration would want to sit down and have a very special, specific dialogue with the United States to develop, step-by-step, over the long-term, a pragmatic bilateral partnership without undermining either FTAA or Mercosul. Right now, everyone in the region wants to negotiate a bilateral trade agreement with the United States, ignoring their neighbors, hurting regional integration, he opined. Mercosul was dysfunctional, as demonstrated by Argentina's problems with beef. South America needs economic development and growth. Relations with the EU "have been badly conducted by all of us." Brazil would also like to have a better quality of discussions with the United States

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in the WTO. There are certain gestures the U.S. could make to facilitate such discussions, but "the U.S. wants gestures from us too." "The planet called China" is now everyone's central focus; Brazil and the U.S. could work together on that as well, and on helping Africa. Meirelles clearly envisioned a closer and more collaborative bilateral relationship.

THE INSIDER

17. (SBU) Poloff and Pol Assistant met March 21 with State Deputy Edson Aparecido dos Santos, an Alckmin insider who coordinated the campaign for the nomination. Aparecido, who is the government's leader in the state legislature, said he was planning to run for Federal Deputy in this year's election. Obviously in high spirits, he characterized Alckmin's nomination as a "great victory." Asked how it came about, he said that he, along with Meirelles, Federal Deputy Silvio Torres, and State Housing Secretary Emanuel Fernandes had lobbied for Alckmin first among PSDB State and Federal Deputies, and then among Governors and state party chairmen, gradually building a strong base of support. They had pitched Alckmin as the "natural" candidate, the political heir of party founder Mario Covas, with six years as Covas's Lieutenant Governor and six years as Governor with an impressive 69 percent job approval rating, low negatives, and a solid record as an administrator. Lula's poor showing in the polls in late 2005 had helped, showing he was vulnerable. Ultimately, the party's leadership had no choice. From Aparecido's perspective, their choice of Alckmin reflected the electorate's clear call for something new: a Lula-Alckmin race was the way of the future, whereas a Lula-Serra race - a repeat of 2002 - would have been like looking through the rear-view mirror. A Lula-Serra race would have been bloody as well - extremely negative all around - but the Lula-Alckmin race would not be, he thought. After the nomination was announced, Lula was quick to praise Alckmin and state that he should not be underestimated.

18. (SBU) A PSDB alliance with the PFL is already pretty much a done deal, Aparecido said. Alckmin is going to persuade Cesar Maia to run for Governor of Rio de Janeiro instead of for President. As an added bonus, Maia's Vice Mayor, who would succeed him, is from the PSDB. This would make a fair trade, if, as widely rumored, Jose Serra resigns as Mayor to run for Governor of Sao Paulo, leaving the Mayorship to PFL Vice-Mayor Gilberto Kassab. (NOTE: A "Datafolha" poll published March 20 suggested Serra could win the Governor's race in the first round, handily defeating possible PMDB candidate Orestes Quercia and either PT candidate, Senator Aloisio Mercadante

or former Sao Paulo Mayor Marta Suplicy. If he doesn't run, neither of the other likely PSDB candidates, City Councilman Jose Anibal and former Education Minister Paulo Renato, appears likely to break out of single digits. According to press reports, Alckmin wants to have strong gubernatorial allies in the three key states of Sao Paulo, Rio de Janeiro, and Minas Gerais, where Aécio Neves looks like a shoo-in for re-election. END NOTE.) The PSDB, he went on, has also had good conversations with the PPS, and an alliance is likely. There have been preliminary conversations as well with the Green Party (PV) and the Democratic Labor Party (PDT).

HOW TO TAKE ON LULA

¶9. (SBU) Political scandal, Aparecido said, had destroyed the leadership of Lula's party, ousted his "Prime Minister," Jose Dirceu, and was now damaging his Finance Minister, Antonio Palocci. The only reason Lula himself had not been more badly damaged was that, because of the scope of the "mensalao" (bribery scheme),

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Congress had lacked the moral authority to pursue impeachment, and he had had time to recover. But Lula was not a political operator or leader, but rather a symbol. Alckmin was not going to attack that symbol, though inevitably he would raise the corruption issue. Lula had lost the middle-class vote because of the scandal. Aparecido was confident that voters would discover for themselves how little Lula had done for the country by "playing Robin Hood in reverse," funneling taxpayers' money to the already wealthy. He was also scathing about Lula's social programs. "There was a program, begun under Fernando Henrique, called 'Bolsa Escola.' Poor families could receive stipends from the state, so long as the parents sent their children to school and met other conditions. When Lula and the PT came to power, they renamed the program 'Bolsa Familia' and removed the conditions and requirements so more families could qualify and they could get more political credit for it." Alckmin, he said, was going to put to the voters a program showing how, in his first weeks in office in January 2007, he would propose legislation for labor reform, tax and budget reform, social security reform, and political reform. With the right alliances, he could pass them.

¶10. (SBU) Tasso Jereissati will be the campaign's national coordinator, Aparecido said, and Joao Carlos Meirelles will prepare the government program, as he did in the 2002 gubernatorial campaign. Other leadership positions have not yet been determined. Aparecido himself will help out in Sao Paulo to the extent possible consistent with running his own campaign for Congress. The foreign policy platform will be developed by FHC's old team, including former Ambassador to the U.S. Rubens Barbosa, former Foreign Minister Celso Lafer, and former Ambassador to France Sergio Amaral, though they won't necessarily get their old jobs back. On the economic side, Alckmin has been listening to proponents of all schools of economic thought (e.g., government interventionist, monetarist, developmentalist), but it is not yet clear who will become the campaign's leading influences on economic issues.

¶11. (SBU) The internal competition for the nomination, Aparecido concluded, had been good for the PSDB, and especially good for Geraldo Alckmin, who had emerged much stronger. It had demonstrated that a small coterie of party bosses could no longer work their will absent solid support from the party's base. "Even Fernando Henrique can't do it. The only one who could do it was Mario Covas. If a situation like this ever arises again, we'll have a much more inclusive, democratic process."

COMMENT

¶12. (SBU) The words used most often by both Meirelles and Aparecido to describe Alckmin are "disciplined" and "focused." When the Governor himself talks about government, he uses words like "efficiency" and "competence." Much of the mainstream press is already characterizing him as "the anti-Lula," and one leading daily

depicted the campaign as what happens "When the King of Talk Meets the Notebook Man." We can attest to the fact that Alckmin is very reserved in person; unlike many politicians, he is much more a listener than a talker. He is also very much a policy wonk, having been in government since the age of 19, when he was elected to the City Council of his home town of Pindamonhangaba in the interior of Sao Paulo state. To some, this makes him come across as boring: some time ago, one clever political commentator gave him the humorous, albeit virtually untranslatable, sobriquet of "picole de chuchu" (bland green vegetable on a stick), and it has stuck, much to cartoonists' delight. But mere blandness and industriousness would not have defeated Serra; it is now evident that Alckmin also has fire in his belly. As one Lula advisor reportedly commented,

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"he's a picole de chuchu with a peppery taste." (NOTE: A "picole" is a popsicle. A "chuchu" is a chayote, also known as a vegetable pear or a mango squash. END NOTE.) It looks like Lula will have his hands full with him. End Comment.

113. (U) This cable was coordinated/cleared with Embassy Brasilia.

MCMULLEN